

**TABLE 2
DOWNTOWN PROJECT AREA
Projected Property Tax Increments**

	2012	2013	2014	2015 ⁽¹⁾
Gross Downtown Project Area Property Tax Increments	\$22,292,701	\$22,738,555	\$23,193,327	\$11,673,000
Less: Amounts Set Aside for Low and Moderate Income Housing	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Net Amount Available for Pension Obligation Bond Debt Service (Pro Forma)	<u>\$21,492,701</u>	<u>\$21,938,555</u>	<u>\$22,393,327</u>	<u>\$10,873,000</u>
Payment on 1999 Bonds	(11,338,107)	(11,692,399)	(12,054,179)	(5,453,716)
Payment on 2004 Bonds	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Estimated Payment on the 2012 Bonds	0	(1,187,858)	((1,187,858))	(1,187,858)
Supplemental Contributions ⁽²⁾	0	(1,000,000)	(1,600,000)	(2,100,000)
Investment Earnings	<u>778,878</u>	<u>947,548</u>	<u>1,077,664</u>	<u>1,200,244</u>
Net Cash Flow/Surplus	\$8,433,473	\$6,505,847	\$6,128,955	\$831,670
Beginning Cash Balance (SB 481)	\$38,943,903	\$47,377,376	\$53,883,222	\$60,012,177
Ending Cash Balance	\$47,377,376	\$53,883,222	\$60,012,177	\$60,843,847 ⁽³⁾

⁽¹⁾ Reflects property tax increments to December 31, 2014. The City's right to receive SB 481 Receipts terminates on December 31, 2014.

⁽²⁾ Projected Supplemental Contributions based on _____.

⁽³⁾ Available to payoff portion of the then outstanding Series 1999B Bonds and 2004 Bonds.

Source: The City of Pasadena, Department of Finance.

City's Plan of Refinancing its FPRS Pension Liabilities

The 2004 Bonds, in the outstanding principal amount of \$30,755,000, mature on May 15, 2015. In addition, the outstanding Series 1999B Bonds are subject to mandatory tender on May 15, 2015 [and the 2012 Mandatory Tender Bonds are also subject to mandatory tender on May 15, 20__]. The City plans to use the projected \$53.0 million of excess SB 481 Receipts to repay all or a portion of this indebtedness. Any difference, will be required to be refinanced by the City or paid from other available sources. Currently, the City anticipates issuing refunding pension obligation bonds to fund the difference.

ANNUAL DEBT SERVICE

The following Table 3 summarizes the annual debt service on the City's Pension Obligation Bonds.

**TABLE 3
CITY OF PASADENA
PENSION OBLIGATION BONDS
ANNUAL DEBT SERVICE SCHEDULE**

For the Fiscal Year Ending June 30	1999 Bonds		2004 Bonds		2012 Fixed Rate Bonds		2012 Mandatory Tender Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest ⁽¹⁾	
	\$	\$	\$	\$	\$	\$	\$	\$	
Total	\$	\$	\$	\$	\$	\$	\$	\$	\$

⁽¹⁾ At an assumed rate of ____% after May 15, 20___. The 2012 Mandatory Tender Bonds are subject to Mandatory Tender on May 15, 20__.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2012 Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the 2012 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limitation of Remedies

The rights of the owners of the 2012 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the owners of the 2012 Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

City System Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, investment performance, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience. Any of these factors could give rise to additional liability of the City to the FPRS as a result of which the City would be obligated to make additional payments to the FPRS over the amortization schedule for full funding of the City's obligation to the FPRS. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS—Contribution Agreement" herein. It is anticipated the payment of the net 2012 Bond proceeds to the FPRS should increase the system's funding level to 85% (based upon June 30, 2012 market valuations of the system's assets and actuarial assumptions to be determined by the FPRS actuary and approved by FPRS after consultation with the City and the City's consultants). However, the ability to achieve the targeted 85% funding level will depend upon the actuary's assumed rate of investment, which has not yet been determined. There can be no assurance that the maximum amount of bonds authorized (\$65 million) will be sufficient to achieve such funding level. Further, the volatility in the value of the system's assets, especially in light of recent market turmoil, may reduce the funding level below 85% in the future, requiring additional City contributions under the Amended Contribution Agreement. However, all of the FPRS's assets are currently being managed in accordance with the FPRS's investment policy and asset allocation. See APPENDIX A – "THE CITY OF PASADENA—RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System" and "—CITY FINANCIAL INFORMATION—Investment Practices."

Recent Redevelopment Dissolution

In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which requires the dissolution of California redevelopment agencies ("CRA's") and the disposition and winding-up of the operations of those agencies.

The original effective date of AB1x 26 was stayed pending a challenge to its constitutionality brought before the California Supreme Court. In upholding AB1x 26 as constitutional on December 29, 2011, the California Supreme Court set February 1, 2012 as the effective date for and the date on which CRA's are dissolved pursuant to AB1x 26.

Concurrently with its ruling on AB1x 26, the California Supreme Court held that its companion legislation (commonly referred to as "AB1x 27") was unconstitutional. AB1x 27 would have allowed for the continuation of the existence of a CRA if, among other things, that CRA made certain payments to the State of California that would have served to reallocate a portion of the tax increment revenues of that CRA to the State.

Because the California Supreme Court has upheld the constitutionality of AB1x 26, and ruled that AB1x 27 is unconstitutional, CRA's are at present left with no alternative other than dissolution.

AB1x 26 provides a framework for the dissolution and winding up of CRA's, the payment of existing debts and the management of the remaining obligations of the dissolved CRA's by their respective successor agencies and oversight boards to oversee those successor agencies. However, without additional legislation and/or regulatory guidelines, the implementation of AB1x 26 may be difficult for some CRA's due to perceived ambiguities within and potential conflicts created by that act.

As authorized by AB1x 26, the City has elected to serve as the successor agency to the Commission. As the successor agency, the City will be required to administer the dissolution of the

Commission and the winding down of the Commission's activities, including making enforceable obligation payments and disposing of the Commission's property.

AB1x 26 requires that the Commission's enforceable obligations are "to be honored." As the successor agency, the City must perform the actions required by enforceable obligations and make required payments regarding the former Commission's bonds, loans, employee pension obligations, legal judgments or settlements, and binding and enforceable contracts or agreements. With limited exceptions, the agreements, contracts or arrangements between an RDA and its sponsoring community are not considered enforceable obligations binding upon the successor agency. The successor agency must prepare a recognized obligation payment schedule, certified by the county auditor-controller and subject to oversight board approval, for each six-month period of the fiscal year that identifies the sources of funds to pay the former RDA's enforceable obligations.

The City has been advised by counsel that the right of the City to receive the SB 481 Receipts under the Reimbursement Agreement is an "enforceable obligation," as defined in AB1x 26 and thus would survive the dissolution of the Commission. It will be up to the City, as the successor agency, the oversight committee, and ultimately, the county auditor-controller and State authorities to determine whether the Reimbursement Agreement is an enforceable obligation. If it is ultimately determined, or as a result of litigation thereon, that the Commission's obligation to make such payments to the City under the Reimbursement Agreement is not an "enforceable obligation," as so defined, then the Agency's obligations to make such payments may no longer be enforceable.

Maturity and Mandatory Tender of Certain of the Pension Obligation Bonds

As noted, the 2004 Bonds, in the outstanding principal amount of \$30,755,000, mature on May 15, 2015. In addition, the outstanding Series 1999B Bonds are subject to mandatory tender on May 15, 2015 and the 2012 Mandatory Tender Bonds are subject to mandatory tender on May 15, 20__ at their respective Purchase Price. The City's obligation to pay the respective Purchase Price for the Series 1999B Bonds and the 2012 Mandatory Tender Bonds are limited to (i) with respect to the Series 1999B Bonds, proceeds received upon the remarketing of the outstanding Series 1999B Bonds for delivery on or after May 15, 2015 and, with respect to the 2012 Mandatory Tender Bonds, proceeds received upon the remarketing of the 2012 Mandatory Tender Bonds for delivery on or after May 15, 20__, (ii) the SB 481 Receipts, or, (iii) at the option of the City, from any source of funds provided by the City. The City is under no obligation to provide any source of funds.

In the event that the City does not have sufficient funds on hand to pay the applicable Purchase Price of the Series 1999B Bonds or the 2012 Mandatory Tender Bonds on the respective mandatory tender date, the City has covenanted to use commercially reasonable efforts to either (i) issue obligations to refund the bonds, or (ii) provide a liquidity facility under which funds may be drawn in connection with the mandatory tender. A variety of events could prevent the City from issuing such refunding obligations or obtaining any credit enhancement. No assurances can be given that the City will be able to effect such a refinancing on commercially favorable terms.

VALIDATION

On _____, 2012, acting pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure, filed a complaint in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of the Debenture and the 2012 Bonds and certain other matters. On _____, 2012, the court entered a default judgment to the effect, among other things, that the Debenture and the 2012 Bonds are valid, legal and binding obligations of the City and that the Debenture and the 2012 Bonds are in conformity with all applicable provisions of

law. The time period for the filing of appeals with respect to the judgment has expired and no appeals have been filed; the judgment is therefore final and unappealable. In issuing its opinion as to the validity of the 2012 Bonds, Bond Counsel has relied upon the entry of the foregoing default judgment.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City, is provided in APPENDIX A – “THE CITY OF PASADENA” attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2010 is attached hereto as Appendix B. Appendix A and Appendix B should be read completely.

THE FPRS

The FPRS was established under the Charter of the City originally in 1919 for fire and police personnel of the City. The FPRS was closed to new members effective July 1, 1977 and as of June 30, 2012 there were no persons currently employed by the City who were eligible for benefits and 275 persons currently receiving retirement or disability benefits. See APPENDIX A – “THE CITY OF PASADENA— RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System.”

CONTINUING DISCLOSURE

The City has agreed to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), for the benefit of the Holders and Beneficial Owners of the 2012 Bonds to provide annual financial statements of the City (the “Annual Report”), by not later than 240 days after the end of the City’s fiscal year (presently June 30), commencing with the report for the 2011-2012 fiscal year. The City has also agreed in the Continuing Disclosure Agreement to provide material notices within 10 business days of the occurrence of following certain events: (1) principal or interest payment delinquencies; (2) non-payment related defaults, if material; (3) modifications to rights of Holders, if material; (4) bond calls, if material, and tender offers; (5) defeasances; (6) rating changes; (7) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2012 Bonds, or other material events affecting the tax status of the 2012 Bonds; (8) unscheduled draws on debt service reserves reflecting financial difficulties; (9) unscheduled draws on credit enhancements reflecting financial difficulties; (10) substitution of credit or liquidity providers, or their failure to perform; (11) release, substitution or sale of property securing repayment of the 2012 Bonds, if material, and (12) bankruptcy, insolvency, receivership or similar proceedings of the City. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”).

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Notwithstanding any provision of the Trust Agreement, failure of the City to comply with the requirements of the Rule or the Continuing Disclosure Agreement will not be considered an Event of Default under the Trust Agreement and will not result in the acceleration of the maturity of the 2012 Bonds; provided however that the Trustee, may, and in some cases, must, and a Holder or a Beneficial Owner may take such actions as may be necessary and appropriate to cause the City to comply with the disclosure obligations described above. For purposes of the Continuing Disclosure Agreement only, “Beneficial Owner” means any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any 2012 Bonds (including persons holding 2012 Bonds through any nominees, depositories or other intermediaries). See APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In the previous five years the City has not failed to comply in all material respects with any previous undertaking to provide information under the Rule. **[Confirm]**

TAX MATTERS

Circular 230 Notice

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the 2012 Bonds was written in connection with the promotion and marketing by the City and the Underwriter of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the 2012 Bonds to any person, and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

General

The following is a summary of the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the 2012 Bonds. This discussion does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership and disposition and is based upon the Code, Treasury regulations (whether final, temporary or proposed), rulings and judicial decisions in effect as of the date hereof. Those laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances or to certain types of investors subject to special treatment under the U.S. federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding 2012 Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons who hold 2012 Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or persons liable for the alternative minimum tax) and does not discuss any aspect of state, local or foreign tax laws. This discussion applies only to U.S. Holders and non-U.S. Holders (each defined below) of 2012 Bonds who purchase their 2012 Bonds in the original offering at the original offering price, and who hold their 2012 Bonds as capital assets. This discussion does not address any tax consequences applicable to a holder of an equity interest in a holder of 2012 Bonds. In particular, this discussion does not address any tax consequences applicable to a partner in a partnership holding 2012 Bonds. If a partnership holds 2012 Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Thus, a person who is a partner in a partnership holding 2012 Bonds should consult his or her own tax advisor.

This summary only addresses 2012 Bonds with the features described herein.

Prospective purchasers are urged to consult their own tax advisors with respect to the U.S. federal and other tax consequences of the purchase, ownership and disposition of the 2012 Bonds before determining whether to purchase 2012 Bonds.

In this discussion, the term “U.S. Holder” means a beneficial owner of 2012 Bonds that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. As used herein, the term “non-U.S. holder” means a beneficial owner of 2012 Bonds that is not a U.S. Holder.

U.S. Holders

Interest on 2012 Bonds

Payments of interest on the 2012 Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder’s regular method of accounting for tax purposes, provided such interest is “qualified stated interest” as defined below.

Original Issue Discount

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of 2012 Bonds issued with original issue discount (“Discount Bonds”), if any. The following summary is based upon final Treasury regulations (the “OID Regulations”) released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a 2012 Bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the 2012 Bond’s stated payment price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a 2012 Bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such 2012 Bond). The issue price of each maturity of substantially identical 2012 Bonds equals the first price at which a “substantial amount” of such maturity has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a 2012 Bond is the sum of all payments provided by such 2012 Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

A U.S. Holder of a Discount Bond must include original issue discount in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of the receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Bond is the sum of the daily portions of original issue discount with respect to such Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder holds such Discount Bond. The “daily portion” of original issue discount on any Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An “accrual period” may be of any length and the accrual periods may vary in length, over the term of the Discount Bond, provided that each accrual period

is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases a Discount Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Discount Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Discount Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount that such U.S. Holder must include in its gross income with respect to such Discount Bond for any taxable year (or portion thereof in which the U.S. Holder holds the Discount Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount

If a U.S. Holder purchases a 2012 Bond other than a Discount Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such 2012 Bond at a "market discount," unless the amount of such market discount is less than a specified de minimis amount. For this purpose, the "revised issue price" of a 2012 Bond generally equals its issue price, increased by the amount of any original issue discount that has been accrued on such 2012 Bond and decreased by the amount of any payments previously made on such 2012 Bond that were not qualified stated interest payments.

Under the market discount rules, a U.S. Holder is required to treat any partial principal payment (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a 2012 Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain, or (ii) the amount of market discount that has not previously been included in gross income and is treated as having accrued on such 2012 Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of such 2012 Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a 2012 Bond with market

discount until the maturity of such 2012 Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of such 2012 Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies, and may be revoked only with the consent of the IRS.

Premium

If a U.S. Holder purchases a 2012 Bond for an amount that is greater than the sum of all amounts payable on such 2012 Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such 2012 Bond with “amortizable bond premium” equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such 2012 Bond and may offset interest otherwise required to be included in respect of such 2012 Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a 2012 Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2012 Bond. However, if a 2012 Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such 2012 Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any 2012 Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such 2012 Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder’s tax basis in the 2012 Bond and (B) the sum of all amounts payable on such 2012 Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder’s tax basis in such 2012 Bond and (Y) the sum of all amounts payable on such 2012 Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If a 2012 Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder’s tax basis in the 2012 Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the 2012 Bond will be treated as “reissued” on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section “Premium.” The rules relating to a 2012 Bonds that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of 2012 Bonds

Except as discussed above, upon the sale, exchange, redemption or retirement of a 2012 Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such 2012 Bond and such U.S. Holder's adjusted tax basis in such 2012 Bond. A U.S. Holder's adjusted tax basis in a 2012 Bond generally will equal such U.S. Holder's initial investment in the 2012 Bond increased by any original issue discount included in income (and accrued market discount, acquisition premium, if any, if the U.S. Holder has included such market discount in income and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such 2012 Bond. Such gain or loss generally will be long term capital gain or loss if the 2012 Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (the "Act"). The Act, which will be effective for taxable years beginning after December 31, 2012, will require certain U.S. Holders who are individuals, estates or trusts, to pay a special 3.8% tax on all or a portion of the interest and other income from the 2012 Bonds. Prospective purchasers should consult their tax advisors as to the applicability of such tax.

Non-U.S. Holders

A non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding 2012 Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on 2012 Bonds, unless the non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent (defined below) must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the 2012 Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (that itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN, which is effective for the remainder of the year of signature and three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A non-U.S. Holder of 2012 Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding 2012 Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of 2012 Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be

required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A non-U.S. Holder of 2012 Bonds whose income from such 2012 Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. holder (and, if the non-U.S. Holder of 2012 Bonds is a corporation, possibly subject to a branch profits tax at a 30% rate or lower rate as may be prescribed by an applicable tax treaty), provided the holder furnishes to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN.

Generally, a non-U.S. Holder will not be subject to U.S. federal income tax on any capital gain recognized on retirement or disposition of 2012 Bonds, unless the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such 2012 Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a non-U.S. holder in these circumstances should consult his tax advisor.

2012 Bonds will not be includible in the estate of a non-U.S. Holder unless, at the time of the decedent's death, income from such 2012 Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding

Information reporting requirements, on IRS Form 1099, generally apply to (i) payments of principal of and interest on 2012 Bonds to a noncorporate U.S. Holder within the United States or by a U.S. paying agent or other U.S. intermediary, including payments made by wire transfer from outside the United States to an account maintained in the United States, and (ii) payments to a noncorporate U.S. holder of the proceeds from the sale of 2012 Bonds effected by a U.S. broker or agent or at a U.S. office of a broker.

Backup withholding may apply to these payments if the U.S. holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the backup withholding rules. Compliance with the identification procedures described in the preceding section will establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

Legal Defeasance

Under the terms of the Trust Agreement, the 2012 Bonds may be legally defeased. Prospective purchasers of 2012 Bonds should be aware that, for U.S. federal income tax purposes, a legal defeasance will be treated as a taxable exchange of such 2012 Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of 2012 Bonds could differ from the timing and character of the amounts that would have been includible in gross income in respect of such 2012 Bonds had the legal defeasance not occurred. Prospective purchasers of such 2012 Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2012 Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed forms of opinion of Bond Counsel is attached hereto as Appendix C.

OTHER MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the 2012 Bonds are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, _____, _____, California, and for the City by the City Attorney, and by Sidley Austin LLP, San Francisco, California, Disclosure Counsel.

Litigation

[To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the 2012 Bonds or the Trust Agreement or any other document relating to the 2012 Bonds, or in any way contesting or affecting the validity of the foregoing.] **[Confirm]**

Ratings

Standard & Poor's Ratings Services ("Standard & Poor's") and Fitch Ratings ("Fitch") are expected to assign the 2012 Bonds the ratings of "____" and "____," respectively. Such ratings reflect only the view of such organizations and explanations of the significance of such ratings may be obtained only from the respective organizations at: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2012 Bonds.

Underwriting

The 2012 Bonds are being purchased by Wedbush Morgan Securities (the "Underwriter") at a purchase price of \$_____ (which represents the aggregate principal amount of the 2012 Bonds, less an underwriter's discount of \$_____).

The Underwriter may offer and sell the 2012 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter. The Purchase Contract for the 2012 Bonds provides that the Underwriter thereunder will purchase all of the 2012 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF PASADENA

By _____
Director of Finance

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THE CITY OF PASADENA

General

The City of Pasadena, California (the "City") was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City.

The City covers nearly 23 square miles and is located in Los Angeles County in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains.

In addition to general governmental services such as fire and safety, the City provides its approximately 140,000 residents with power, water and refuse services.

While the City consistently receives international recognition for the Rose Parade and Rose Bowl events, the City has achieved significant success in blending urban amenities with suburban neighborhoods. Engineering, finance and health care comprise the primary industry sectors. In addition, the academic and research pursuits of the California Institute of Technology, the Jet Propulsion Laboratory and the Art Center College of Design bring a unique combination of resources to the City. The City's downtown continues to serve as the corporate and entertainment center for the San Gabriel Valley's 1.8 million residents.

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 33 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

City Council

All powers of the City are vested in the City Council which is empowered to carry out the provisions of the City Charter and perform all duties and obligations of the City as imposed by State law. The City has an eight-member City Council comprised of members elected in seven City Council districts and a citywide elected mayor. Each Council Member and the Mayor are elected for four-year staggered terms. The Council Members elect the Vice-Mayor from their membership, who traditionally serves two consecutive one-year terms. The names, occupations and term expirations of the current members of the City Council are as follows: